



Director of
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IRAN: Oil Policy and Price Effects

Despite Iran's claims that its oil production has risen sharply, buyers probably will not be able to purchase as much as they had negotiated for, in most cases 25 percent less. These cutbacks apparently are the result of government interference in contract negotiations that had already been conducted by the National Iranian Oil Company. Meanwhile, Saudi Arabia and Kuwait have reduced their production, causing oil prices to go still higher. [redacted]

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According to one Iranian oil company official, contracts were initially negotiated on the presumption that production would be about 4 million barrels per day, but the government recently ordered revised export plans to conform with an output of 3 million barrels per day. Other reports, including a recent statement by the Chairman of the National Oil Company, indicate that production will level off at 3.5 million barrels per day. The Iranians probably have not settled on long-term production rates. Estimated government spending plans would require sustained oil production of more than 4.5 million barrels per day. [redacted]

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//The government claims that oil output reached 4.7 million barrels per day last week but that this rate is only temporary to fill a backlog of orders. Even if the Iranian figure is correct, the surge will provide only limited relief to upward pressures on oil prices. Production adjustments by other producers are still pushing up surcharges on Persian Gulf oil. [redacted]

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Iranian Government and religious leaders will not hesitate to intervene in other oil decisions. While many experienced officials of the National Iranian Oil Company have been retained, they are apparently unable to make even operational decisions without approval from workers' committees dominated by pro-Khomeini forces. [redacted]

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NIGERIA: Presidential Disqualifications

Nigeria's military government will announce today its decision to disqualify two of the country's five presidential candidates from the election scheduled for 11 August

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Civil disorders probably will follow the announcement in areas that support the disqualified candidates

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Wide-spread, prolonged unrest would force the postponement of Nigeria's five national and state elections this summer and perhaps the cancellation of plans to return Nigeria to civilian rule next October.

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The affected candidates--Nnamdi Azikiwe of the major southern Ibo-based Nigerian People's Party and Amino Kano of the minor northern Muslim-based People's Redemption Party--will be disqualified for irregularities in past income tax returns, a violation of federal election laws. Neither is a presidential front-runner, but Azikiwe's group is the third-ranking party. There has been speculation for weeks among Nigerians that the two aspirants might be disqualified. It is not clear why the regime, which appears determined to have its civil rule plan succeed and has carefully stage-managed it thus far, is willing at this late date to run the risk of sparking considerable political violence.

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Disturbances are most likely in the northern state of Kano, where the violence-prone People's Redemption Party has its main strength. Trouble also is possible in Nigeria's middle belt--a buffer zone between the north and south--where the Nigerian People's Party has a large following. The Ibo--defeated in Nigeria's civil war--may be less inclined to demonstrate openly. Even if wide-spread violence is avoided, the disqualifications are likely to spur major political realignments that will affect the outcome of elections.

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SAUDI ARABIA: Conscription Announced

Saudi Defense Minister Prince Sultan has announced that Saudi Arabia will implement compulsory military service, probably this summer. Faced with acute manpower shortages in the military, the Saudi Government has been debating this step since early 1977, but has been reluctant to institute conscription because of its presumed unpopularity.

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The Saudi armed forces have an authorized strength of 89,000, but their actual strength is about 59,000. Lack of personnel has delayed modernization of the military and severely hampered its operations. Enlistments have dwindled for over two years because many Saudis are pursuing more lucrative opportunities in the booming civilian economy. Young Saudis also apparently find the austere military lifestyle distasteful.

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Details of the new system have not been announced, but last fall the Saudis were discussing the conscription of all male citizens at age 18 for two years. Although fewer than 100,000 persons reach this age each year, this number would exceed the military's numerical needs. The Saudis' record in implementing other military programs, however, suggests that conscription probably will prove only a partial remedy to their forces' more serious qualitative problems.

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Senior Saudi officials have privately argued that national service will help to instill patriotism, discipline, and purpose in the country's pampered youth. The Saudis appear to recognize that the system must be applied to royal family members and commoners alike if it is to avoid provoking a popular outcry and becoming a political issue.

Conscription will aggravate the already serious shortage of labor in the civilian economy and government, and could lead to the employment of more foreign workers. Some 2 million foreigners are now employed in Saudi Arabia, in comparison with 5 million Saudis, and the regime is already concerned about the security threat it perceives they pose.

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WEST GERMANY - EAST GERMANY: Restrictions on Journalists

The West German Government clearly wants to limit domestic political fallout from the severe restrictions on journalists recently imposed by the East Germans, but is still uncertain how best to handle the pointed affront to its policy of an all-German reconciliation. Bonn believes the restrictions are not meant to derail détente or permanently damage inner-German relations. Rather, it sees the new rules in large part the result of internal East German developments. East Germany's action, however, is particularly embarrassing to Chancellor Schmidt's Social Democrats, who face a key test in the Schleswig-Holstein state election in 10 days.

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The East Germans ostensibly reined in the journalists because of what they believe to be pejorative reporting on recent changes in currency procedures. West German reporters, since their admission to East Berlin in 1973, have been an irritant to the East German leadership because of their often unflattering, but accurate coverage of events in East Germany. Such reporting in West German media is available to much of the East German population. East Berlin may also have intended the move as a signal that the East German leadership is firmly in charge despite recent West German press speculation about German "reunification."

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Schmidt and his Social Democrats are in a quandary about how to respond without further risk to their cherished *Ostpolitik*. The government has ruled out the Christian parties' suggestion of economic retaliation, saying that its leverage is limited and that the burden would be borne by the East German population. Egon Bahr, Social Democratic architect of *Ostpolitik*, suggested that two East German correspondents in Bonn be expelled, but this would invite retaliation and world opinion would see the expulsions as equally arbitrary.

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In its frustration, Bonn has appealed to EC and NATO countries to protest the action as a violation of the Helsinki accords. The West German Government has also announced that it is consulting with the allies responsible for Germany as a whole, namely France, the UK, and the US.

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SPECIAL ANALYSIS

PALESTINIANS: Operations in Israel and the
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Palestine Liberation Organization leaders have made no secret of their plans to step up their activities inside Israel and the occupied West Bank and Gaza Strip in response to the signing of the Egyptian-Israeli peace agreement. PLO Central Committee member Saleh Khalaf told Fatah cadres on 14 April that PLO leaders were determined to "escalate the military struggle." Other PLO officials have made similar statements and have warned that the Palestinians are intent on demonstrating that the PLO cannot be ignored in the peace process.

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[redacted] the Israelis are clearly unable to stop all operations. Last year, according to the US Consulate in Jerusalem, there were 134 terrorist incidents on the West Bank alone, 73 of them in Jerusalem, which is a major target. Fifty-four people were killed and over 315 wounded. [redacted]

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These statistics suggest that the Palestinians have a fairly significant and well-educated manpower pool to recruit from [REDACTED]

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Fedayeen Objectives

Besides keeping the Palestinian issue alive in the Arab world and in international opinion, terrorism in the areas controlled by the Israelis:

- Maintains Palestinian and fedayeen morale by demonstrating that the PLO can strike at Israel.
- Keeps up the pressure on Arab governments to support the Palestine struggle.
- Intimidates Palestinians in the occupied territories who might be willing to cooperate with Israel. [REDACTED]

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Palestinian leaders are undoubtedly aware that their operations inside Israel and the occupied territories have little impact on Israel's military strength and, in fact, often lead to severe Israel retaliation. Nonetheless, they clearly believe the operations are useful for the Palestinian movement. [REDACTED]

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